

Town of Litchfield, New Hampshire

INVESTMENT POLICY

SECTION I. PURPOSE:

The purpose of this Policy is to comply with RSA 41:9 VII, which requires the Board of Selectmen to annually review and adopt an investment policy for the investment of public funds, and to provide a framework for the Town Treasurer to carry out the policy objectives.

SECTION II. AUTHORITY:

This Policy has been enacted pursuant to the statutory authority granted to the Board of Selectmen by RSA 41:9 VII and to the Town Treasurer by RSA 41:29 IV. These RSA's are incorporated by reference and made part of this Policy as Appendix A.

SECTION III. POLICY STATEMENT:

The primary objective of the Town of Litchfield's investment policy is to set forth appropriate investment activities that provide for, first and foremost, the safety of principle, as well as sufficient liquidity to support operations while generating a reasonable investment yield.

The specific investment policy objectives are stated below:

1. To ensure the preservation of capital and the protection of investment principle by investing in instruments authorized by State Law, as outlined in Section VIII of this policy;
2. To maintain sufficient liquidity to meet operating requirements for both the town and school district;
3. To satisfy all legal requirements;
4. To attain market-average rate of return on investments taking into account risk and legal constraints and cash flow considerations.

SECTION IV. DEFINITIONS:

- A) "Board": Means the Board of Selectmen for the Town of Litchfield
- B) "Collateral": Underlying securities that are pledged to secure deposits of public funds.
- C) "Market-average Rate of Return": The amount of income received from an investment, expressed as a percentage (also referred to as investment yield), that an investor can expect to receive in the current interest-rate environment. D) "Repurchase Agreement": A transaction in which a holder of securities sells those securities to an investor with an agreement to repurchase those securities for a fixed price at an agreed-upon date.
- E) "Safekeeping": A procedure where securities are held by a third party acting as custodian.
- F) "School District": Litchfield School District

G) "State Law": Refers to various Revised Statutes Annotated (RSA's) of the State of New Hampshire, as amended, as referenced throughout the policy.

H) "Town": Town of Litchfield, New Hampshire

SECTION V. SCOPE:

The investment policy applies to all public funds held in the custody of the Town Treasurer. This does not include funds held by the School District, Library Trustees or Trustees of the Trust Funds. The funds held by the Treasurer are accounted for in the Town's annual audited financial reports and include the following:

- General Fund
- Special Revenue Funds – which include funds overseen by the Conservation Commission, Cemetery Trustees and Cable Committee
- Agency Funds – which include impact fee funds
- Capital Projects Funds
- Any new funds created by the Town, unless specifically exempted by the governing body, in accordance with law.

Furthermore, the investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

This policy does not apply to funds held in escrow for performance bonds, which are held in an interest-bearing deposit account at an approved banking institution.

SECTION VI. DELEGATION OF AUTHORITY:

The investment policy delegation of authority is stated below:

1. In accordance with RSA 41:29 VI, the responsibility for conducting investment transactions resides with the Town Treasurer, with the approval of the Board. However, the Treasurer may delegate investment functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the Board, and is agreeable to all parties involved. Any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules adopted by the commissioner of revenue administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the Treasurer to comply with all statutory duties required by law.
2. No person may engage in an investment transaction except as provided under the terms of this policy and the internal procedures and controls hereby established.
3. The delegation of deposit authority by the Treasurer to the Tax Collector/Deputy Tax Collector shall not authorize that all moneys remitted shall be deposited at least on a weekly basis, or daily whenever funds remitted from all departments collectively totals \$1,500 or more. Limits for the Tax Collector/Deputy Tax Collector shall remain as fixed per RSA.
4. All delegations shall be made utilizing the Treasurer Delegation form contained in Appendix C.

SECTION VII. PRUDENCE AND ETHICAL STANDARDS:

The investment policy will be conducted in accordance with the "prudent man" or "prudent person" standard based upon RSA 31:25-b which requires that:

“...a prudent investment is one which a prudent man would purchase for his own investment having in view the preservation of the principal and the amount and regularity of the income to be derived therefrom.”

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict (or appear to conflict) with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such individuals shall disclose to the Board any material financial interest in financial institutions that conduct business with the Town, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Town's portfolio.

SECTION VIII. INVESTMENT ACTIVITIES:

INTERNAL CONTROLS

The internal controls for the Town of Litchfield shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, imprudent actions by elected officials and employees of the Town.

1. Indemnification: In accordance with RSA 41:6 (Surety Bond Required) (Appendix A), "Town Treasurers...Shall be bonded by position under a blanket bond from a surety company authorized to do business in this state. The bond shall indemnify against losses through:
 - (a) The failure of officers covered to faithfully perform their duties or to account properly for all moneys or property received by virtue of their positions, or
 - (b) Fraudulent or dishonest acts committed by the covered officers."
2. The Treasurer conducts investment transactions via written instructions and reviews the bank statements daily to ensure that the appropriate transactions were made per the instructions. The Finance Director, on a monthly basis, reviews and reconciles all bank account activity and records the investment transactions in the general ledger.

INVESTMENT OBJECTIVES

The investment objective for these accounts is "Income only" and "capital preservation." This objective is consistent with our emphasis on current income and our desire for modest growth of the principal from appreciation while maintaining the working capital of the citizens. The objective dictates an asset allocation utilizing a combination of cash equivalents and fixed income securities.

INVESTMENT INSTRUMENTS

In accordance with RSA 41:29 II and IV, funds of the Town of Litchfield may be invested in any

of the following:

- a) Deposits, including money market accounts or certificates of deposit, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state (refer to Appendix B for the annual list of banks recognized by the State Treasurer); or funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the federal reserve bank collateral security for such deposits of the following types:
 - (i) United States government obligations;
 - (ii) United States government agency obligations; or
 - (iii) Obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case.
- b) New Hampshire Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22.
- c) Obligations fully guaranteed as to principle and interest by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end management-type investment company or investment trust registered under 15 U. S.C. section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations.
- d) Other instruments as may be specifically authorized by amendments to the State Law.

Whenever possible, maturities of investments purchased shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (school district remittances, payroll and accounts payable) as well as anticipated revenue inflows. However, the maturity characteristics of the portfolio must comply with the following schedule:

<u>Total Portfolio</u> <u>Investment Maturing</u>	<u>Required Minimum Percentage</u> <u>of Total Portfolio</u>
1 year or under	100%
90 Days or Under	50%

QUALIFIED INSTITUTIONS

The Town Treasurer shall determine the primary banking institution to be used by the Town, in conjunction with the Board, who is responsible for establishing the budgetary parameters under which the Town Treasurer may operate.

Any entity utilized by the Town must be chartered by the State of NH or the federal government, be federally insured and from which the town purchases investment instruments, must have an investment grade rating issued by Moody's and S&P at a minimum of Aa2 and AA, respectively. Refer to Appendix B for the Moody's and S&P ratings definitions.

The Board, in conjunction with the Town Treasurer, shall periodically review the banking relationship and determine if there is a need to undertake a competitive bidding process for the selection of banking, investment and/or cash management provider(s). If a competitive bid is sought, the investment of Town funds, in accordance with this policy, will be a key consideration in assessing and awarding such bid. Once awarded, it is the responsibility of the provider to

maintain investments within the parameters of this policy, with the understanding that each individual investment will not necessarily be competitively bid by the provider, but will meet the investment criteria as proposed and agreed.

SAFEKEEPING AND COLLATERALIZATION

In accordance with RSA 41:29 V, the Treasurer shall ensure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall have such funds, at the time of deposit or investment, secured by collateral having a market value at least equal to 102% of the amount deposited or invested. Such collateral shall be held by a third party custodian and segregated for the exclusive benefit of the town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. Refer to BAN 1450 (adopted 10-02-2009) for the relevant section of the New Hampshire Administrative Rules.

The banking institution shall provide the Town Treasurer with at least monthly reports of the Town's collateral position. In addition, collateral agreements shall comply with provisions set forth in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which require that the collateral agreement be:

- (1) in writing;
- (2) approved by the Board of Directors of the depository or its loan committee;
- (3) lists no specific pledged securities; and
- (4) has been, continuously, from the time of its execution, an official record of the depository institution.

REPORTING

At least annually, and in periods of significant investment activity, on a monthly basis, the Town Treasurer shall include a summary of investment activity in the Treasurer's Report submitted to the Board. The report shall summarize the investment strategies employed, and describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the transaction detail, expected total investment return and actual results.

PERFORMANCE EVALUATION

The Town shall require, from any institution in which investing activity is conducted, sufficient routine reports/documentation to enable an accurate evaluation to be made as to the results of the Town's investment program as it relates to the Town's stated objectives, guidelines and policies, and to assist in revealing areas for potential improvement.

SECTION XI. AMENDMENTS:

This Policy may, from time to time, be amended by a majority vote of the Board, at a regularly scheduled Board meeting. It will, at a minimum, be reviewed and adopted annually by the Board.

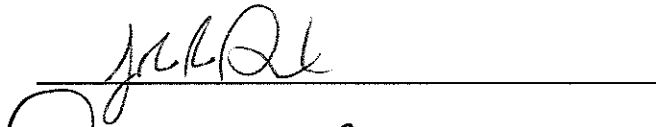
SECTION XII. EFFECTIVE DATE:

Adopted By Board of Selectmen –

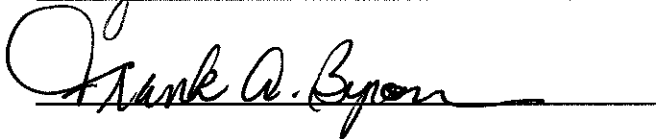
Effective Date: July 1, 2010

Expiration Date: April 1, 2011

John Brunelle

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Frank Byron

A handwritten signature in cursive script, appearing to read "Frank A. Byron", written over a horizontal line.

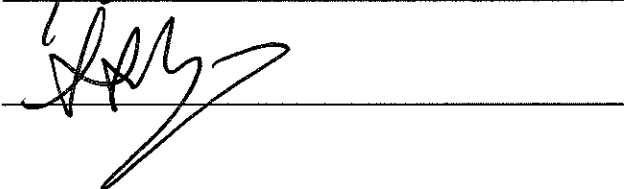
M. Patricia Jewett

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George Lambert

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Steve Perry

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APPENDIX A

CHAPTER 41 CHOICE AND DUTIES OF TOWN OFFICERS

Selectmen

Section 41:9

41:9 Financial Duties. –

I. The selectmen shall pay all sums of money received by them in behalf of the town to the town treasurer immediately after receipt, and state to him from whom and for what received.

II. They shall draw orders upon the treasurer for the payment of all accounts and claims against the town allowed by them, and take proper vouchers therefore.

III. They shall keep a fair and correct account of all moneys received, all accounts and claims settled and all orders drawn by them, and of all their other financial transactions in behalf of the town.

IV. They shall publish in the next annual report, or post at the annual meeting, the general fund balance sheet from the most recently completed audited financial statements or from the financial report filed pursuant to RSA 21-J:34, V.

V. In the case of an accumulated general fund deficit, the selectmen shall insert an article in the warrant recommending such action as they deem appropriate, which may include, but is not limited to, raising a sum of money for the purpose of reducing that deficit.

VI. The selectmen shall be responsible for establishing and maintaining appropriate internal control procedures to ensure the safeguarding of all town assets and properties.

VII. The selectmen shall annually review and adopt an investment policy for the investment of public funds in conformance with applicable statutes and shall advise the treasurer of such policies.

VIII. The selectmen shall be responsible for establishing procedures to ensure that all funds paid to the town from any department shall be remitted to the treasurer at least on a weekly basis or daily whenever such funds total \$500 or more. Remittances to the treasurer from the tax collector shall be in accordance with RSA 41:35 and remittances from the town clerk shall be in accordance with RSA 261:165.

Source. 1869, 26:3. 1874, 85:1. GL 40:9. PS 43:7. PL 47:14. RL 59:13. RSA 41:9. 1993, 181:1. 1994, 147:2, eff. July 22, 1994. 2007, 246:2, eff. Aug. 27, 2007.

APPENDIX A, continued

CHAPTER 41 CHOICE AND DUTIES OF TOWN OFFICERS

Town Treasurer

Section 41:29

41:29 Duties of Elected and Appointed Town Treasurers. –

I. The town treasurer shall have custody of all moneys belonging to the town, and shall pay out the same only upon orders of the selectmen, or, in the case of a conservation fund established pursuant to RSA 36-A:5, upon the order of the conservation commission, or in the case of a heritage commission fund established pursuant to RSA 674:44-a upon the order of the heritage commission, or in the case of fees held pursuant to RSA 673:16, II, upon the order of the local land use board or its designated agent, or in the case of a recreation revolving fund established pursuant to RSA 35-B:2, upon the order of the recreation or park commission, or in the case of fees deposited by the town clerk pursuant to RSA 41:25, upon the invoice of the town clerk, or other board or body designated by the town to expend such a fund.

II. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the federal reserve bank collateral security for such deposits of the following types:

- (a) United States government obligations;
- (b) United States government agency obligations; or
- (c) Obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case.

III. The town treasurer shall keep in suitable books provided for the purpose a fair and correct account of all sums received into and paid from town treasury, and of all notes given by the town, with the particulars thereof. At the close of each fiscal year, the treasurer shall make a report to the town and to the department of revenue administration, giving a particular account of all his or her financial transactions during the year and account balances at year end. The treasurer shall furnish to the selectmen statements from the treasurer's books, and submit the books and vouchers to them and to the town auditors for examination, whenever so requested.

IV. Whenever the town treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the town treasurer shall invest the same in accordance with the investment policy adopted by the selectmen under RSA 41:9, VII. The treasurer may invest in the public deposit investment pool established pursuant to RSA 383:22, or in deposits, including money market accounts, or certificates of deposit, or repurchase agreements, and all other types of interest bearing accounts, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or in obligations fully guaranteed as to principal and interest by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end management-type investment company or investment trust registered under 15 U.S.C. section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations and repurchase agreements fully collateralized by such obligations.

V. The treasurer shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall make available at the time of

APPENDIX A, continued

such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

VI. The treasurer may delegate deposit, investment, recordkeeping, or reconciliation functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the selectmen, or in the case of a town operating under RSA 37, to the town manager, and is agreeable to all parties involved. However any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules adopted by the commissioner of revenue administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the treasurer to comply with all statutory duties required by law.

VII. The treasurer shall ensure that all moneys remitted shall be deposited at least on a weekly basis, or daily whenever funds remitted from all departments collectively totals \$1,500 or more. Such deposit function may be delegated pursuant to paragraph VI. However, failure to ensure that funds are being deposited on a timely basis as required by this paragraph shall be cause for immediate removal from office pursuant to RSA 41:26-d. In any municipality where there is either no bank or other depository institution within the municipality the treasurer shall make deposits consisting of funds remitted from all departments and collectively totaling \$1,500 or more on a weekly basis or more frequently as directed by the board of selectpersons in the investment policy adopted pursuant to RSA 41:9, VII.

Source. 1869, 26:2-4. GL 40:8. 1883, 111:1. PS 43:20. PL 47:24. 1931, 177:3. 1939, 170:2. RL 59:24. RSA 41:29. 1959, 197:3. 1971, 158:1. 1973, 490:1. 1977, 139:1. 1987, 318:3. 1991, 268:8; 377:6; 383:9. 1992, 64:3. 1993, 161:2. 1996, 209:10. 1997, 208:8. 1998, 40:2, eff. July 4, 1998. 2003, 100:2, eff. Aug. 5, 2003. 2007, 35:6, eff. July 13, 2007; 246:3, 4, eff. Aug. 27, 2007. 2008, 120:25, eff. Aug. 2, 2008; 174:5, eff. Aug. 10, 2008. 2009, 14:1, eff. June 16, 2009.

APPENDIX A, continued

CHAPTER 41 CHOICE AND DUTIES OF TOWN OFFICERS

Bonds

Section 41:6

41:6 Surety Bond Required. –

I. Town treasurers, trustees as provided in RSA 31:22 and 23, trustees as provided in RSA 53B:8-a, I, library trustees including alternate library trustees, if any, town clerks, tax collectors and their deputies, agents authorized to collect the boat fee, and persons delegated treasury functions under RSA 41:29, VI shall be bonded by position under a blanket bond from a surety company authorized to do business in this state. The bond shall indemnify against losses through:

- (a) The failure of the officers covered to faithfully perform their duties or to account properly for all moneys or property received by virtue of their positions; or
- (b) Fraudulent or dishonest acts committed by the covered officers.

II. A blanket bond may exclude the town treasurer if a separate fidelity bond for the faithful performance of his duties is furnished by the surety writing the blanket bond.

III. Premiums shall be paid by the town.

IV. The required bonds shall provide for at least a 2-year discovery period from the date their coverage terminates.

V. The commissioner of revenue administration shall adopt rules under RSA 541-A, concerning the amount and form of the surety bonds required under this section.

Source. 1931, 111:1. RL 59:42. 1945, 7:1. RSA 41:6. 1969, 135:1. 1973, 544:8. 1975, 68:1. 1979, 376:7. 1981, 323:8. 1983, 264:6. 1988, 198:9. 1994, 367:16. 2000, 9:1, eff. April 16, 2000. 2007, 246:1, eff. Aug. 27, 2007.

APPENDIX B

Moody's Long-Term Debt Rating Symbols: Aaa – Best quality Aa – High quality A – Possess many favorable investment attributes Baa – Medium grade obligations Ba – Possess speculative elements B – Generally lack characteristics of desirable investments Caa – Poor standing Ca – Speculative in a high degree C – Lowest rated class of bonds

Modifiers:

1 – Higher end of letter rating category

2 – Mid-range of letter rating category 3 – Lower end of letter rating category

S&P Long-Term Debt Rating Symbols: AAA – Highest rating, extremely strong AA – Differs slightly from highest rating, very strong A – Somewhat more susceptible to adverse effects of change in economic condition, strong BBB – Exhibits adequate protection parameters BB, B, CCC, CC, C – Have significant speculative characteristics. BB least speculative, C highest degree. D – Payment default

Modifiers:

+ or – show relative standing within the category

Appendix C: Treasurer's Delegation Form

I, _____ as Treasurer of the Town of Litchfield, New
Print Name here

Hampshire and in accordance with my duties as Treasurer as granted under
the laws of the State of New Hampshire do hereby delegate the below indicated
duties to _____, who is a qualified and bonded
Print Name here

individual. I, as Treasurer delegate to the above named individual the authority
(the Treasurer should initial each delegation) commencing on _____ to:
Date

_____ deposit funds of the Town Of Litchfield into Town Accounts;
Initial here

_____ investment of funds of the Town Of Litchfield;
Initial here

_____ recordkeeping of funds of the Town Of Litchfield;
Initial here

_____ reconciliation of funds of the Town Of Litchfield;
Initial here

This delegation will cease to be effective on _____ or upon the
Date

completion of my term whichever shall occur first.

Delegate's Signature: _____

Treasurer's Signature: _____

Signature of the Board of Selectmen:

Signature: _____ Print Name: _____

Signature: _____ Print Name: _____

Signature: _____ Print Name: _____

Signature: _____ Print Name: _____

Signature: _____ Print Name: _____

Copies of this form to be filed with the Treasurer, Delegee, BOS office and original to the Town Clerk's Office